

**EXHIBIT A**

**October 27, 2023 Transcript**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF IOWA

IN RE:

MERCY HOSPITAL, IOWA CITY

Case No. 23-00623 (TJC)

IOWA, et al.

### Jointly Administered

## Debtors.

## REPORT OF AUCTION PROCEEDINGS

Via Zoom

Friday, October 27, 2023

10:09 a.m. Eastern Standard Time

Reported by: Renee J. Ogden, CSR-3455, RPR.

Job No.: 23979

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20 ALSO PRESENT:  
21 JOHN DINAN - Preston Hollow  
22 JIM PORTER - on behalf of the Debtors  
23 MARK TONEY - on behalf of the Debtors  
24 CORBIN CONNELL - Computershare  
25 NARENDRA GANTI - FTI Consulting

1 CLIFFORD A. ZUCKER - FTI Consulting  
2 C. RICHARD BAYMAN - H2C Securities Inc.  
3 ANDREW S. ORMAN - H2C Securities Inc.  
4 TOM CLANCY - Mercy, Iowa City  
5 ASHLEY CHAMPION-POLSINELLI - State University of Iowa  
6 JACK HAAKE - Debtors  
7 JACOB PARK - Mercy, Iowa City  
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Friday, October 27, 2023

10:09 a.m. Eastern Standard Time

ATTORNEY SIMON: Good morning, everyone.

This is the reopened auction in the  
Mercy Hospital, Iowa City matter, case number  
23-00623 currently pending in the United States  
Bankruptcy Court for the Northern District of Iowa.

My name is Dan Simon from McDermott Will & Emery, counsel for the Debtors.

We're joined today by my partner, Felicia Perlman; the Debtors' chief executive officer, Tom Clancy; the Debtors' chief restructuring officer, Mark Toney; and the Debtors' chief financial officer, Jim Porter.

We also have the two bidding parties on the line.

The first is the group known as the Bondholder Representatives from Preston Hollow Community Capital and Computershare.

And the second is the University of Iowa.

We're also joined by the Official Committee of Unsecured Creditors who acts as the sole consultation party under the bidding

1 procedures.

2 I'm going to ask that each party have  
3 only one speaker designated to speak so that we  
4 keep the transcript streamlined.

5 Nathan Coco, is it safe to assume that  
6 you are the speaker for the Bondholder  
7 Representative?

8 ATTORNEY COCO: That is correct.

9 ATTORNEY SIMON: Dave Gordon, is it safe  
10 to assume that you are the speaker for the  
11 University of Iowa?

12 ATTORNEY GORDON: Yes, that's correct.  
13 David Gordon on behalf of the State University of  
14 Iowa.

15 ATTORNEY SIMON: Andrew Sherman, is it  
16 fair to assume that you are the speaker for the  
17 committee?

18 ATTORNEY SHERMAN: It is a fair  
19 statement, Mr. Simon.

20 ATTORNEY SIMON: Thank you.

21 As you know, this auction is being  
22 conducted pursuant to the bidding procedures order  
23 which was entered by the bankruptcy court on  
24 September 14th, and filed at Docket 222.

25 The Debtor commenced the auction

1 pursuant to those bidding procedures on  
2 October 4th. We were all in person at McDermott's  
3 offices in Chicago. The auction was continued  
4 later that evening and resumed via Zoom on  
5 October 10th.

6 At the conclusion of the auction on  
7 October 10th, the Debtors, after consultation with  
8 the committee, determined that the highest or  
9 otherwise best bid was the final bid submitted by  
10 the Bondholder Representative.

11 That bid, as stated on the record, was a  
12 credit bid in the amount of \$27.8 million, an  
13 agreement to fund up to \$1.2 million in operating  
14 losses from November 15th to November 30th, and  
15 payment in cash of the \$800,000 breakup fee to the  
16 University of Iowa.

17 That bid also included an obligation to  
18 begin funding the operating losses of the Debtors  
19 in full from December 1st until the closing of the  
20 sale.

21 In the days that followed the conclusion  
22 of that auction, a material disagreement emerged.  
23 The Bondholder Representative took the position  
24 that the obligation to fund operating losses of the  
25 Debtors would be offset by all available sources of

1 funds, which would include the Debtors' cash as  
2 well as Foundation cash contemplated to be paid  
3 under a settlement agreement which remains subject  
4 to court approval.

5 The practical reality of that  
6 disagreement meant that the Debtors' cash and  
7 Foundation cash would be depleted prior to any  
8 funding obligation was required by the Bondholder  
9 Representative and prior to any closing.

10 The Bondholder Representative last  
11 Thursday filed a motion to compel compliance with  
12 the bidding procedures.

13 The Debtors dispute many of the  
14 allegations in that pleading and reserve all  
15 rights.

16 Needless to say, this disagreement  
17 necessarily meant that the value of the final bid  
18 from Preston Hollow was materially different than  
19 what the Debtors and the Committee determined at  
20 the auction.

21 Given that the sale hearing had been  
22 continued and no sale order was entered, and that  
23 the Debtors could not reach agreement with the  
24 Bondholder Representative, the Debtors determined  
25 after consultation with the Committee that it was

1 appropriate and consist with the bidding procedures  
2 and their fiduciary duties to reopen the auction  
3 this morning.

4 The various parties on the phone today  
5 were notified via email this past Wednesday.

6 So with those introductory comments, I  
7 want to seek one simple clarification from the  
8 University of Iowa first.

9 The last bid described by the  
10 University of Iowa on the record on October 10th  
11 contained an obligation to fund operating losses of  
12 the Debtors on and after December 1st, 2023 until a  
13 closing occurred.

14 The Debtors understood that the funding  
15 of operating losses would be calculated as the  
16 difference between operating expenses and operating  
17 revenues. In other words, this calculation would  
18 be without regard to Debtors' existing cash or  
19 Foundation cash.

20 Was the University's last bid on the  
21 record consistent with the Debtors' understanding  
22 as I just described?

23 ATTORNEY GORDON: The University's last  
24 bid on the record did not include any Foundation  
25 money.

1                   With respect to cash, I do believe we  
2                   assumed that the Debtors would use their cash on  
3                   hand to fund their operations and that we would  
4                   make up the difference between operating revenues  
5                   and losses.

6                   ATTORNEY SIMON: Okay. So it would be  
7                   the difference between the operating expenses and  
8                   the operating revenues?

9                   ATTORNEY GORDON: Correct. And would  
10                  not include any Foundation money whatsoever.

11                  ATTORNEY SIMON: Thank you.

12                  With that clarification and the fact  
13                  that the Bondholder Representative stated in their  
14                  papers that they had a different interpretation of  
15                  operating losses, the Debtors have determined in  
16                  consultation with the committee that the last bid  
17                  submitted by the Bondholder Representatives is no  
18                  longer the highest or otherwise best bid.

19                  Instead, the last bid submitted by the  
20                  University of Iowa on the record on October 10th  
21                  has been determined to be the current highest or  
22                  otherwise best bid.

23                  This also necessarily means that the  
24                  Bondholder Representative bid, which was previously  
25                  determined to be the successful bid or the winning

1 bid at the auction, is no longer the successful bid  
2 or the winning bid.

3 At this point, I will turn back to you,  
4 Mr. Gordon, from the University of Iowa, to see if  
5 you have any modifications to your current bid or  
6 otherwise wish to make any statements for the  
7 record.

8 ATTORNEY GORDON: Sure, we do. Again,  
9 David Gordon with Polsinelli on behalf of the State  
10 University of Iowa.

11 Since October 10th when the Debtors  
12 filed the notice of auction results designating  
13 Preston Hollow's credit bid, the Bondholder  
14 Representative credit bid as the winning bid, the  
15 State University of Iowa has continued to monitor  
16 the situation of this bankruptcy.

17 The University of Iowa Healthcare  
18 Leadership, Board of Regents, State of Iowa believe  
19 that the providers and staff members of  
20 Mercy Iowa City who serve our community are  
21 invaluable essential partners.

22 Consistent with its commitment to  
23 maintaining sustainable access to care and  
24 healthcare workforce, and in light of the current  
25 impasse among the parties to this bankruptcy court

1 proceeding, the State University of Iowa is willing  
2 to intercede to preserve the legacy of Mercy  
3 Iowa City.

4 The University hereby reinstates the bid  
5 in the following manner: If the University is  
6 chosen as with winning bidder, and subject to the  
7 acquisition being approved as the winning bidder by  
8 the bankruptcy court within a reasonable period of  
9 time, the satisfaction of all the closing  
10 conditions in our asset purchase agreement  
11 including licensure, and entering into an employee  
12 leaseback with the Debtors until such time as the  
13 transaction can reasonably close, which the  
14 University anticipates will occur on or before  
15 January 31, 2024, we reinstate our bid.

16 The purchase price will be an amount  
17 equal to \$28 million, plus an amount equal to the  
18 Debtors' actual operating losses exclusive of  
19 professional fees and all other costs and expenses  
20 relating to the bankruptcy that are not already  
21 otherwise covered by the Debtors' cash and other  
22 investments for the period commencing on  
23 December 1, 2023, and continuing until such time as  
24 the transaction closes.

25 For the avoidance of doubt, calculation

1 of the Debtors' operating losses shall in no way  
2 take into account any funds made available to the  
3 Debtors by the Mercy Iowa City Foundation.

4 In addition to that cash component just  
5 stated, if University is chosen as the winning  
6 bidder, it commits to invest at least \$25 million  
7 on information technology infrastructure, physical  
8 plant infrastructure, including but not limited to  
9 the roof, parking facility, plant equipment, and  
10 medical equipment. The University will make this  
11 \$25 million investment within five years of  
12 closing.

13 The University submits this bid in  
14 recognition and appreciation of the profound  
15 contribution that Mercy Hospital has made and will  
16 continue to make to the community. We look forward  
17 to continuing the mission of Mercy Iowa City,  
18 supporting its loyal staff and healthcare  
19 professionals through what has been a trying time  
20 and we stand with Mercy Iowa City and its employees  
21 and staff.

22 ATTORNEY SIMON: I'd like to go off the  
23 record for five minutes just to have a quick break  
24 with our team.

25 (Off the record at 10:20 a.m.)

1 (Back on the record at 11:27 a.m.)

2 ATTORNEY SIMON: We're back on the  
3 record. We appreciate everyone's patience during  
4 that break.

5 We do want to make one clarification for  
6 the record with respect to the last bid from the  
7 University of Iowa. I'll make it now.

8 With respect to the assets being  
9 purchased. To the extent that actual operating  
10 disbursements are greater than actual operating  
11 receipts, then the University agrees to fund the  
12 difference post-December 1st without regard to the  
13 Debtors' Foundation funds or the Debtors' cash on  
14 hand as of that date as of December 1st.

15 That funding commitment does not include  
16 any agreement to fund by the University of  
17 restructuring professional fees of the Debtors  
18 during this period.

19 David, can you confirm that statement on  
20 behalf of the University?

21 ATTORNEY GORDON: I confirm that  
22 statement on behalf of the University. That is our  
23 understanding of our commitment to fund the  
24 operating expenses.

25 ATTORNEY SIMON: So with that

1 clarification and statements made on the record,  
2 the Debtors deem the University of Iowa's bid to be  
3 highest or otherwise best bid.

4 I will now turn to Nathan, the  
5 Bondholder Representatives, to determine whether  
6 you wish to submit a topping bid.

7 ATTORNEY COCO: Before I address that  
8 question, Dan -- thank you -- let me ask Corbin and  
9 JD, do you think it's appropriate for us to have a  
10 caucus or recess here or are you comfortable with  
11 us proceeding?

12 MR. DINAN: PHC as Bondholder  
13 Representative is comfortable proceeding.

14 MR. CONNELL: Computershare likewise is  
15 comfortable proceeding. Thank you.

16 ATTORNEY COCO: So with that, I'll  
17 address your question as follows.

18 Let me first state for the record, this  
19 is Nathan Coco on behalf of the Preston Hollow  
20 Community Capital, Inc. and Bondholder  
21 Representatives, and Computershare Trust Company,  
22 NA, as master trustee, which I will refer to  
23 collectively as the Secured Bondholder  
24 Representatives.

25 I'm joined in this proceeding by Corbin

1 Connell from Computershare who serves as the master  
2 trustee, and by John Dinan on behalf of Preston  
3 Hollow.

4 We would like to state for the record  
5 and for the avoidance of doubt, that the Secured  
6 Bondholder Representatives' final bid at the  
7 auction convened on October 10, 2023 was for the  
8 payment of the breakup fee, plus \$29 million  
9 consisting of, one, \$27.8 million credit bid; two,  
10 a \$1.2 million cash bid to be satisfied through the  
11 backstop of operating losses up to that amount  
12 incurred by Mercy Hospital, Iowa City, Iowa for the  
13 for the period of November 15 through November 30;  
14 three, a further commitment to backstop operating  
15 losses incurred by Mercy for the period of  
16 December 1, 2023 through the closing date.

17 The credit bid was for all of the  
18 purchased assets, as that term is defined in the  
19 credit bid asset purchase agreement, as well as  
20 Mercy's interest in certain clinics and parking  
21 lots, but excluding the medical office building  
22 referred to as the MOB2 and adjacent parking lot.

23 The bid was subject to satisfaction of  
24 all contractual closing conditions and the Secured  
25 Bondholder's credit bid asset purchase agreement.

1 For the further avoidance of doubt, the  
2 the backstop commitment incorporated in the Secured  
3 Bondholder Representative's bid is different from  
4 what the University and the Debtors have just  
5 described with respect to the University's bid.

6 The backstop commitment incorporated in  
7 the Secured Bondholder Representative's bid was to  
8 advance funds to the Debtors' bankruptcy estates  
9 for the specific amounts by which Mercy's operating  
10 expenses exceeded its available funds to pay such  
11 expenses including Mercy's available cash on hand  
12 and any funds contributed to Mercy by the  
13 Foundation.

14 The Secured Bondholder Representatives  
15 are willing to increase their credit bid by  
16 \$1 million. But to be clear, the Secured  
17 Bondholder Representatives will not alter or  
18 increase the amount of their bid, nor will the  
19 Secured Bondholder Representatives agree to or  
20 close a transaction with the Debtors either as a  
21 bidder, a backup bidder, or otherwise, if such bid  
22 does not provide for the application of Mercy's  
23 cash on hand and funds contributed by the  
24 Foundation in determining operating losses.

25 From the Secured Bondholder

1 Representative's perspective, any transaction that  
2 is not inclusive of Mercy's cash on hand and  
3 Foundation funds for purposes of determining  
4 operating losses is not financially viable, does  
5 not comport with the bid they proffered at the  
6 auction convened on October 10th, and the Secured  
7 Bondholder Representatives will not move forward on  
8 that basis.

9 The Secured Bondholder Representatives  
10 reserve all of their rights in connection with this  
11 auction and the sale process.

12 ATTORNEY SIMON: Thank you, Nathan.

13 Based upon the statements made on the  
14 record today, the Debtors in consultation with the  
15 committee determine that the bid from the  
16 University of Iowa is the winning bid or successful  
17 bid at the auction.

18 I'll say as a part of this determination  
19 the Debtors take very seriously their fiduciary  
20 duties and the power granted to the Debtors under  
21 the bidding procedures order.

22 That's in part why we believed it  
23 appropriate to reopen the auction today.

24 The bid submitted by the Bondholder  
25 Representatives as described by Mr. Coco, after

1 accounting for the fact that it required use of all  
2 of the remaining funds, including Foundation funds  
3 and cash on hand, meant that this bid is not a  
4 viable alternative.

5 The bidding procedures grant broad  
6 discretion to the Debtors, including the specific  
7 ability of the Debtors to reject at any time before  
8 entry of an order of the court approving a winning  
9 bids, any bid that the Debtors determine is, 1,  
10 inadequate or insufficient; 2 not in conformity  
11 with the requirements of the bankruptcy codes  
12 and/or bidding procedures; or 3, contrary to the  
13 best interest of the Debtor, their estate, their  
14 creditors, and other stakeholders.

15 Under this power, the Debtors do not  
16 believe that any bid that requires use of the  
17 Debtors' remaining cash and Foundation cash prior  
18 to closing is a viable transaction under the  
19 circumstances. Therefore, the Debtors reject the  
20 bid of the Bondholder Representatives as stated.

21 The Debtors deem the winning bidder to  
22 be the University of Iowa based upon the terms  
23 stated on the record which will remain subject to  
24 definitive documentation and approval of the  
25 bankruptcy court.

Does anyone else wish to say anything for the record at this point?

With that, I'd like to thank all of parties for their cooperation and attention in these important matters.

As you know, the Debtors have been very focused on ongoing patient care in the midst of these bankruptcy proceedings which has not always been an easy task.

We thank both of the bidding parties.

We believe that the transaction with the University of Iowa will go a long way to restoring confidence in the Debtors' employees and ensuring ongoing patient care in the community for many years to come.

The Debtors will be filing shortly an amended notice of auction results. I will report these results to the court at the hearing this afternoon.

We also intend to notice up a sale hearing for November 5th.

Thank you, everyone. We're off the required.

(Auction concluded at 11:34 a.m.)

1 CERTIFICATE OF NOTARY

2 STATE OF MICHIGAN )

3 ) SS

4 COUNTY OF WAYNE )

5

6 I, RENEE J. OGDEN, certify that the

7 foregoing was recorded by me stenographically and

8 reduced to computer transcription; that this is a

9 true, full and correct transcript of my

10 stenographic notes so taken; and that I am not

11 related to, nor of counsel to, either party nor

12 interested in the event of this cause.

13

14

15

16 *Renée J. Ogden*

17

18 RENEE J. OGDEN, CSR-3455

19 Notary Public,

20 Wayne County, Michigan

21 My Commission expires: June 21, 2025

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